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BY THE U.S. GENERAL ACCOUNTING OFFICE

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## Report To The Secretary Of Defense

# Better Methods For Validating And Reconciling Unfilled Materiel Orders Could Provide Substantial Economies To The Army

The Army continues to spend tens of millions annually on materiel no longer needed by requisitioners. It can save an estimated $112 million over a 3-year period and improve the credibility of its data base and supply readiness by strengthening its policies, procedures, and practices for periodically validating and reconciling older, outstanding orders.

GAO/PLRD-82-76
JUNE 2, 1982

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

B-207371

The Honorable Caspar W. Weinberger
The Secretary of Defense

Attention: Director, GAO Affairs

Dear Mr. Secretary:

This report shows that the Army can save millions by improving its policies, procedures, and practices for validating and reconciling older, outstanding materiel orders.

We sent a draft of this report to you on March 23, 1982. At an April 21, 1982, meeting, Army officials generally agreed with the report findings and recommendations. However, we did not receive official oral or written comments within 30 days as required by Public Law 96-226. Accordingly, the report does not include the views of your Office.

Chapters 2 and 3 of this report contain several recommendations to you. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs, and House and Senate Committees on Appropriations and on Armed Services; and the Secretary of the Army.

Sincerely yours,

Donald J. Horan

Donald J. Horan
Director

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GENERAL ACCOUNTING OFFICE
REPORT TO THE SECRETARY
OF DEFENSE

# BETTER METHODS FOR VALIDATING AND RECONCILING UNFILLED MATERIEL ORDERS COULD PROVIDE SUBSTANTIAL ECONOMIES TO THE ARMY

## D I G E S T


The Army can save an estimated $112 million or more in procurement and transportation costs over a 3-year period by improving its policies, procedures, and practices for periodically validating and reconciling older, outstanding orders for secondary items of materiel (repair parts, subassemblies, and consumables). GAO reported in 1974 that the services were spending over $100 million annually on materiel no longer needed by requisitioners because of ineffective procedures and practices for reconciling and validating older, outstanding materiel orders.

The Army had one of the highest ratios of invalid materiel orders (27 percent) which were not detected by a quarterly reconciliation and validation check. The Army advised GAO of a number of corrective actions that would be taken to bring about the desired improvements. GAO made this followup review to assess the effectiveness of actions taken by the Army and to determine whether there were significant additional opportunities for improvement.

GAO found that little progress has been made and the Army continues to spend tens of millions annually on unneeded materiel. For example, GAO found that about 39 percent of older, outstanding materiel orders sampled at 7 of the Army's 61 major retail supply and requisitioning activities were invalid and were not detected by periodic reconciliation and validation checks conducted by these activities. GAO estimates that, on the basis of its sampling tests, 64,776 invalid orders are on hand at Army wholesale supply sources, and the Army will incur $112 million or more over a 3-year period to fill these invalid orders and to fund inflated forecasted requirements for the related items. (See ch. 2.)

Invalid orders revealed by GAO's validation checks included orders for parts to repair inoperable equipment which did not exist or had already been repaired, orders for materiel in excess of authorization, orders for the wrong item, duplicate orders, and orders for materiel for special projects that



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JUNE 2, 1982



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had been terminated. As a result of GAO's sample validation checks and limited revalidation checks by the audited activities, action was taken to cancel 3,227 invalid orders for materiel valued at about $772,000. (See ch. 2.)

Additionally, GAO found that the Army's procedures and practices for reconciling and validating materiel orders have not been effective in assuring that an acceptable level of compatibility is sustained for related materiel order data shown on supply records kept at wholesale and retail supply levels. The Army has established an objective of 90 percent agreement for materiel order data recorded at the wholesale and retail levels, which it considers essential to the economy and effectiveness of supply operations.

GAO found that continuous significant imbalances of as much as 53 percent exist between the records of Army wholesalers and their customers relative to either the number of outstanding orders or the quantities on order. For example, at one of the audited retail supply activities, a quarterly reconciliation with Army wholesalers revealed that approximately 11,000 orders which the records of this activity showed as being passed to the wholesale level for supply action did not exist on supply records at that level. (See ch. 3.)

The Army's problems in reconciling and validating older, outstanding materiel orders continue because prescribed policies and procedures are either inadequate or not being observed, and because of inadequacies in automated logistics systems. The Army can realize substantial savings while enhancing both the credibility of its data base and supply readiness by strengthening prescribed policies, procedures, and automated programs for reconciling and validating materiel orders.

GAO recommends that the Secretary of Defense direct the Army to:

--Establish and include in all pertinent Army regulations and technical manuals a uniform definition of materiel order validation and detailed guidance for conducting indepth validation checks. Also, require Army commands to establish and implement at the divisional and nondivisional user levels, standard operating procedures for performing materiel order validation checks.

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--Revise existing and proposed policy and procedures to expand time allowed for materiel validation checks and to restrict such checks to outstanding materiel orders meeting the Department of Defense's age criteria for validation.

--Strengthen existing and proposed procedures and controls by requiring that customer validation responses of continuing need for ordered materiel be subjected to independent sampling accuracy checks and authenticated in writing by a higher command level.

--Strengthen provisions of the proposed standard procedures, applicable to cancellation of orders repeatedly not validated by customers, by requiring that the customers be notified in writing at the start of a validation cycle that their validation responses will be subject to independent sampling checks and orders not validated will be canceled.

--Establish, as a part of the proposed standard Army validation and reconciliation procedures, an information system which will enable local management and higher command levels to evaluate and monitor the effectiveness of customer performance in validating materiel orders.

--Strengthen prescribed procedures by requiring that underlying causes of significant materiel order reconciliation discrepancies be investigated and corrected.

--Revise the automated reconciliation process at the intermediate supply level to restrict quarterly reconciliations with wholesalers to open orders in a backorder status. Also, revise the automated process at this level to provide for preparation of appropriate requisition followup documents to notify wholesalers of action needed to correct open orders at the retail level which are not on record at the wholesale level.

--Revise the automated reconciliation process at the wholesale level so that intermediate supply activities' requisition followup responses to validation requests are accepted and acted on.

--Revise the automated system at the wholesale level to send on-line all requisition coded reject documents to intermediate supply levels.

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A draft of this report was forwarded to the Secretary of Defense for comment on March 23, 1982. GAO did not receive an official reply in the time prescribed by law for inclusion in the report. However, at a meeting held on April 21, 1982, Army officials indicated general agreement with GAO's findings and recommendations.

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# Contents


| | | Page |
|---|---|---|
| DIGEST | | i |
| CHAPTER | | |
| 1 | INTRODUCTION | 1 |
| | Objectives, scope, and methodology | 2 |
| 2 | NEED TO IMPROVE POLICIES, PROCEDURES, AND PRACTICES FOR VALIDATING OUTSTANDING MATERIEL ORDERS | 4 |
| | Continuing need for effective validation of outstanding orders | 4 |
| | Requisitioners frequently cite a continuing need for materiel on order without verification | 11 |
| | Requisitioners often fail to respond to materiel order reconciliation and validation requests | 17 |
| | Conclusions and recommendations | 18 |
| 3 | NEED TO IMPROVE PROCEDURES AND PRACTICES FOR RECONCILING OUTSTANDING MATERIEL ORDERS | 20 |
| | Significant record imbalances in materiel order data not being corrected by periodic reconciliations | 20 |
| | Inadequacies in prescribed procedures and implementing automated systems | 22 |
| | Conclusions and recommendations | 24 |


## ABBREVIATIONS

| | |
|---|---|
| DOD | Department of Defense |
| GAO | General Accounting Office |
| MILSTRIP | Military Standard Requisitioning and Issue Procedures |



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## CHAPTER 1

## INTRODUCTION

Army customers requisition repair parts and supplies from 61 retail supply activities--40 Army installations, 16 combat divisions, and 5 corps support commands--in the continental United States and overseas. If ordered materiel is authorized for stockage and available at the retail supply activity, it is issued immediately to fill customer orders. If the ordered materiel is not authorized for stockage, or is out of stock and is urgently needed by the customer, the retail supply activity sends the customer's requisition to the appropriate wholesale supply source for action. The wholesale supply source either fills the requisition immediately from available stock or places it on backorder pending stock replenishment.

As of March 31, 1981, Army wholesalers had on hand 155,713 older, outstanding orders 1/ for secondary items (repair parts, subassemblies, and consumables) valued at $437 million. Approximately 36 percent of these orders had been outstanding for 6 months or longer. The longer an order remains outstanding, the greater the chances are that the original requirement will cease to exist (because of reduction in demand or unit deactivation) or that the need will be satisfied through other means (turn-ins of excess stocks or cannibalization points).

In recognition of the above, Army wholesalers are required by Department of Defense (DOD) policy (DOD 4140.17M) and Army implementing procedures (AR 725-50) to validate and reconcile older, outstanding orders on hand with their customers on a quarterly basis. Additionally, existing Army policy (AR 710-2) and implementing technical operating instructions require Army retail supply activities to validate and reconcile all open materiel orders with their customers from twice a month at the division level to monthly or quarterly at the installation and corps levels. Also, the Army has developed and expects to fully implement by November 1982, new procedures known as Standard Army Validation and Reconciliation which will require monthly validation and reconciliation checks of open materiel orders.

The objective of materiel order validation is to determine whether materiel on order is still needed by the customer and to cancel ordered materiel no longer needed. Failure to promptly detect and cancel orders for materiel no longer needed results in unnecessary procurement, transportation, and handling costs, as well as inflated requirements and unnecessary obligation of funds needed to fill valid materiel shortages. The objective of materiel order reconciliation is to compare outstanding orders on

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1/High-priority orders 30 days or older and routine orders 75 days or older.



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customers' records with those on supply sources' records and to bring the two sets of records into agreement. Significant imbalances in related supply data recorded at different levels of the supply system indicate that requisition processing problems exist and can result in delays in or failure to fill valid materiel orders.

In fiscal year 1981, Army retail supply activities and wholesalers were authorized $2.8 billion of stock funds to purchase secondary items. Also, $847.4 million of funds (Procurement Appropriations, Army) were appropriated for wholesale-level procurement of secondary items.

## OBJECTIVES, SCOPE, AND METHODOLOGY

In 1974 we reported 1/ that the services were spending over $100 million annually on materiel no longer needed by requisitioners because of ineffective procedures and practices for validating and reconciling older, outstanding materiel orders. Of the services reviewed, the Army had one of the highest ratios (27 percent of the total outstanding orders) of invalid outstanding materiel orders which were not detected by quarterly validation and reconciliation checks. DOD and the Army agreed with our findings and told us they were taking several actions to correct the problems.

Our objectives in this followup review were to determine the effectiveness of the Army's corrective actions; to decide whether additional improvements are needed and, if so, to specifically pinpoint what they are; and to quantify how much money can be saved through improved methods for periodically validating and reconciling older, outstanding orders. We performed this review in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

We examined DOD and Army policies and procedures for periodically validating and reconciling older, outstanding orders. Also, we evaluated the implementing procedures and practices at 7 of the Army's 61 retail supply activities. We chose these activities because they represent all elements of Army retail supply operations in the continental United States and overseas. Additionally, we examined DOD and Army internal audit coverage of the effectiveness of the Army's periodic materiel order reconciliation and validation checks.

As a result of periodic reconciliation checks, customers of the audited retail supply activities had cited a continuing need for 61,444 older, outstanding orders for secondary items. From

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1/"Better Methods Needed for Canceling Orders for Materiel No Longer Required" (B-162152, dated May 21, 1974).



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this universe, we randomly selected 747 orders for review to determine their validity. Our statistical sampling was performed in accordance with generally accepted principles and was based on a 95-percent confidence factor and a 7-percent plus or minus error tolerance. The universe included 20,377 outstanding high-priority orders which had been passed on to Army wholesalers. This represented 13 percent of the total older, outstanding orders for secondary items on hand at the wholesale level.

To determine whether the selected sample orders were valid at the time the continuing need was cited, we visited the 230 responsible customers units and reviewed unit document registers, equipment logbooks, work orders, unit allowance lists, and current authorized inventory levels and inventory status. Also, we spot checked inoperable or faulty equipment (vehicles, tanks, and personnel carriers) which was cited as a basis for need.

At three of the audited retail supply activities, we analyzed and compared the results of two consecutive 1981 quarterly materiel order reconciliations with Army wholesalers. We also assessed the automated programs used in validating and reconciling outstanding materiel orders.

Our detailed fieldwork was conducted during January 1981 through September 1981 at the following locations:

--V Corps, West Germany:
  3d Armored Division
  3d Support Command

--Fort Carson, Colorado:
  4th Infantry Division
  Installation Supply

--Fort Hood, Texas:
  2d Armored Division
  13th Corps Support Command
  Installation Supply

We also visited the Office of the Deputy Chief of Staff (Logistics), Department of the Army; Headquarters, U.S. Army Materiel Development and Readiness Command; Headquarters, U.S. Army Audit Agency; Headquarters, U.S. Army, Europe, and V Corps. We conducted exit interviews with officials at all audit sites.



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## CHAPTER 2

## NEED TO IMPROVE POLICIES, PROCEDURES, AND PRACTICES FOR VALIDATING OUTSTANDING MATERIEL ORDERS

The Army continues to spend tens of millions annually on materiel no longer needed by customers because substantial numbers of invalid orders are not being detected by periodic validation checks.

The Army's problems in detecting and canceling invalid materiel orders continue because requisitioners frequently either cite a continuing need for materiel on order without verification or do not participate in periodic validation checks. This situation prevails because existing and proposed policies, procedures, and practices (1) either do not clearly define what is meant by validation or do not provide the necessary guidance accomplishing this task, (2) require validation of too many for materiel orders and do not allow sufficient time for this task, and (3) do not provide an effective means for local management and higher commands to monitor and evaluate the quality of customer performance in validating unfilled materiel orders.

The Army can save an estimated $112 million or more over a 3-year period by improving its policies, procedures, and practices for periodically validating outstanding materiel orders.

### CONTINUING NEED FOR EFFECTIVE VALIDATION OF OUTSTANDING ORDERS

In our 1974 report we pointed out that the Army had one of the highest ratios of invalid materiel orders which were not being detected by quarterly validation and reconciliation checks. In response to that report, the Army directed its overseas and divisional requisitioning activities to reconcile and validate outstanding orders locally with their customers once a month or more. Additionally, the Army has developed and expects to fully implement by November 1982, standard Army procedures for monthly reconciliation and validation of outstanding orders.

Despite these actions, the Army's ratio of undetected invalid materiel orders has increased and the Army continues to spend tens of millions annually on unneeded materiel. As described in succeeding sections, this situation prevails in part because the Army did not implement one of our previous key recommendations, with which both DOD and the Army had agreed. Namely, that customer performance in validating materiel orders be subjected to independent quality sampling checks. Additionally, our followup review showed that existing and proposed Army policies, procedures, and practices (1) do not provide customers with needed guidance on how to accomplish the materiel order validation task, (2) require validation of too many materiel orders and do not allow



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sufficient time for the task, and (3) do not provide an information system for monitoring and evaluating the overall effectiveness of the Army's materiel order validation program.

We found that from January 1981 through July 1981, customers of the seven audited retail supply support activities cited a continuing need for 61,444 older, outstanding orders for secondary items. Included in this total were 20,377 high-priority orders for out-of-stock items or for items not locally stocked which were passed to Army wholesalers. Our sample of 747 requisitions included 258 which had been passed on to the wholesale level.

As shown on the following page, we found that 39.7 percent and 43.7 percent, respectively, of the total sample orders tested and the sample orders passed to Army wholesalers were not valid at the time a continuing need was cited.



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| Audited activities | No. of older orders for which continuing need cited | No. of sample orders tested by GAO | No. of sample orders GAO found invalid | Percent invalid | Average value of invalid orders | No. of orders for which valid need cited passed to Army wholesalers | No. of sample orders tested by GAO passed to Army wholesalers | No. of passed sample orders GAO found invalid | Percent invalid | Average value of invalid orders passed |
|---|---|---|---|---|---|---|---|---|---|---|
| V Corps | 33,962 | 329 | 149 | 45.2 | $730.72 | 9,447 | 106 | 55 | 51.8 | $858.79 |
| 3d Armored Division<br>3d Support Command | | | | | | | | | | |
| Fort Carson | 7,967 | 204 | 72 | 35.2 | $407.47 | 2,480 | 76 | 30 | 39.4 | $624.25 |
| 4th Infantry Division<br>Installation Supply | | | | | | | | | | |
| Fort Hood | 19,519 | 214 | 76 | 35.5 | $627.78 | 8,450 | 76 | 28 | 36.8 | $1,563.00 |
| 2d Armored Division<br>13th Corps Support Command<br>Installation Supply | ------ | --- | --- | | | ------ | ... | --- | | |
| Total | 61,444 | 747 | 297 | 39.7 | $626.76 | 20,377 | 258 | 113 | 43.7 | $971.02 |

The reasons for the invalid sample orders are categorized below:

| Reason | No. of invalid orders | Percent |
|---|---|---|
| Ordered materiel to repair equipment already repaired, not in need of repair, or nonexistent. | 115 | 38.7 |
| Ordered materiel not authorized or in excess of authorization. | 92 | 31.0 |
| Need for ordered materiel not supported by any documentation (document register, parts request register, work order, etc.) | 63 | 21.2 |
| Wrong item ordered. | 10 | 3.4 |
| Miscellaneous (duplicate orders, orders for unit subsequently deactivated, orders for projects subsequently terminated, etc.). | 17 | 5.7 |
| Total | 297 | 100.0 |

After we brought the invalid sample orders to the attention of responsible supply officials, they canceled 166 orders valued at $136,936.41. It was too late to stop shipment on the remaining orders valued at $48,584.40. Also, 1,471 orders, valued at $157,474, were canceled by 139 divisional units after limited revalidation checks were made immediately after our sampling tests.

Additionally, 1,590 materiel orders 6 months or older, valued at $477,738, were found to be invalid and canceled after we requested revalidation checks. Our sampling tests revealed that materiel orders 6 months or older were more likely to be invalid (52 percent of orders tested versus 32 percent for other orders). Revalidation checks at Fort Carson revealed that 61 percent of 716 materiel orders 6 months or older submitted by nondivisional units were no longer needed.

Examples of invalid orders for which requisitioning activities cited a continuing need include:

--Four orders (two dating back to 1979) from units of the 2d Armored Division for four cover assemblies, costing $248 each, to replace faulty units on armored personnel carriers. The units had ordered the wrong part. The carriers needed



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latches costing $2.71 each to replace broken latches used to secure cover assemblies. The latch is not an integral component of the cover assembly and must be ordered separately. As a result of our finding, orders for three units were canceled. It was too late to stop shipment on the remaining order.

--A 6-month-old order from a unit of the 4th Infantry Division for 209 6-volt batteries, valued at $250.80, consigned to a communication van. The unit had ordered the wrong item. The unit needed a spool printing ribbon costing 95 cents for a teletype machine housed in the van. The unit commander did not know why this mistake was made because the responsible supply clerk had been transferred. It was too late to cancel the order. The unneeded batteries were received shortly after our validation check. The invalid demand for the batteries increased the division's stockage objective for this item by 102 units.

--A 90-day-old, high-priority order from a unit of the 4th Infantry Division for a 105-mm. fire controller unit, costing $1,603, to correct an equipment problem on an M60 tank. The work order to fix the tank had been closed 4 days before the unit submitted the order. The unneeded item was received shortly after our validation check.

--A high-priority order over a year old from a nondivisional activity at Fort Carson for a vehicular FM radio frequency tuner, costing $1,169, to correct an equipment problem. The equipment job order had been closed several months before our validation check.

--An order over a year old from a nondivisional unit at Fort Carson for six communication security system radio frequency filters, totaling $2,022. The filters were not authorized for stockage and were not supported by a work order or other documentation. Supply personnel did not know why the filters were on order. As a result of our finding, the order was canceled.

--Two high-priority orders over 6 months old from a unit of the 3d Armored Division for 25 electrical insulation rods, each with a total value of $475.50. The need for the ordered item was not supported by documentation. The rods were not needed, according to unit supply officials, and they had previously attempted to cancel the orders. Following our inquiries, the orders were canceled. Before cancellation, the division's stockage objective for this item was 30 units. Cancellation of the orders removed two of the four demands recorded for this item during the past year. As a result, this item was deleted from stockage.



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--Four orders over 90 days old from a unit of the 3d Armored Division for 300 chemical, biological protective hoods valued at $2,757. The unit was unable to support a continuing need for the ordered hoods. According to a unit supply official, the hoods were ordered to correct a shortage of serviceable hoods found by an inspection team. However, the unit later discovered that a sufficient number of serviceable hoods were on hand. The orders for the 300 hoods were canceled after our validation check. Also, as a corollary, the division supply activity's stockage objective for this item was reduced by an estimated 53 units valued at $487.07.

--Three stock replenishment orders from 4 to 6 months old for 546 lubricator kits valued at $53,300. At the time the 3d Armored Division cited a continuing need in May 1981, the authorized stockage level for the item was 14 units; 55 units were on hand and none were due out to supported units. The three orders were canceled as a result of our finding.

--Two orders over 9 months old for 12 indicator bearings valued at $1,012 each. At the time the 3d Armored Division Materiel Management Center cited a continuing need in May 1981, 11 of the ordered bearings, valued at $11,132, exceeded needs. The item was not authorized for local stockage and only one bearing was due out to a supported unit. As a result of our finding, one order for eight bearings was canceled.

--Seven orders over 6 months old for 794 switch assemblies, valued at $16,761.34, from a nondivisional unit located at Fort Hood. At the time a continuing need was cited in April 1981, the item was not authorized for stockage; 61 serviceable units were on hand, 100 units were due in from an earlier order, and an undocumented requirement existed for 100 units to repair target holding mechanisms. As a result of our finding, 6 orders for 650 units, valued at $13,721.50, were canceled.

--A high-priority order about 60 days old from a unit of the 3d Armored Division for five barrel assemblies, valued at $399.25, to repair M-203 grenade launchers. At the time a continuing need was cited, only one M-203 grenade launcher was in need of repair. The needed repair did not involve the barrel assembly. The unit canceled the order in response to our finding.

Projection of sample results Army-wide

At the time of our review, 155,713 older, outstanding orders for secondary items, valued at $437 million, were on hand at Army wholesale supply sources. Our statistical sampling tests involved 20,377, or 13 percent, of those orders. In view of this fact and for reasons detailed in succeeding sections of this report, we believe that our sampling results have Army-wide application.



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Accordingly, on the basis of our sampling tests, we estimate that the Army will incur $112 million or more over a 3-year period to fill orders for materiel no longer needed by requisitioners. This materiel is currently on hand at Army wholesale supply sources. Details of our projection follow:

| | |
|---|---|
| 155,713 | No. of outstanding orders on hand at Army wholesale supply sources. |
| x .416 | Percent of invalid orders passed to Army wholesalers (43.7 percent shown on p. 5, statistically weighted on basis of sample error biases). |
| 64,776 | Projected no. of invalid orders currently on hand at Army wholesale level. |
| x $854.53 | Average value of invalid orders ($971.02 average shown on p. 6 statistically weighted on basis of sample error biases). |
| $55.3 million | Projected value of invalid orders on hand at Army wholesale supply sources. |
| x.065 | DOD standard add-on rate for packing, handling, and transportation costs. |
| $3.6 million | Projected packing, handling, and transportation costs. |
| $58.9 million | Projected estimate of procurement and transportation costs to fill invalid orders currently on hand. |
| $55.3 million | Value of demands related to projected invalid orders (see above) which will be used to forecast future wholesale requirements. |
| x .918 | Ratio of Army's annual wholesale demand dollars to annual procurement and rework costs. |
| $50.7 million | Projected future procurement and rework costs related to invalid demands. |
| x .065 | DOD standard add-on rate for packing, handling, and transportation costs. |
| $3.3 million | Projected packing, handling, and transportation costs. |
| $54 million | Projected future procurement, handling, and transportation costs related to invalid demands placed on wholesale system. |
| $112.9 million | Projected costs over a 3-year 1/ period to fill invalid orders currently on hand at Army wholesale supply sources. |

1/Estimate based on average procurement leadtimes and reorder cycles.

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Also, it is reasonable to assume that the Army will spend additional tens of millions annually to fund invalid orders held locally or passed for supply action to other than Army wholesale managers (for example, the Defense Logistics Agency and the General Services Administration). In this respect, 41,067, or 66.8 percent, of the orders we sampled at 7 of the Army's 61 retail supply activities were backordered locally, pending stock replenishment, or were passed to other than Army wholesale managers. Our sampling tests revealed that an estimated 37.6 percent of these orders, or 15,441 orders, valued at $9.7 million, were invalid.

## REQUISITIONERS FREQUENTLY CITE A CONTINUING NEED FOR MATERIEL ON ORDER WITHOUT VERIFICATION

As previously noted, we visited 230 customers of the audited retail supply support activities to evaluate the effectiveness of periodic validation checks of unfilled materiel orders. We found that only 5 of the 230 customers attempted to determine whether they still needed the materiel on order. The others simply compared, with their records, a list of open materiel orders provided to them by the supply activities. If the orders matched, the units routinely cited a continuing need without reviewing supporting documents, such as equipment logbooks, work orders, unit allowance lists, current authorized inventory levels, and inventory status.

In our opinion, this situation continues to exist mainly because existing and proposed Army regulations and implementing operating instructions either do not clearly define what is meant by validation or do not provide detailed guidance for performing indepth validation checks. Also, existing and proposed Army regulations require reconciliation and validation of all open materiel orders but do not allow lower echelons sufficient time for such actions. Further, Army activities either do not have or do not comply with prescribed procedures for evaluating the effectiveness of periodic materiel order validation checks. Also, higher management levels do not have an adequate information system for monitoring the overall effectiveness of the Army's materiel order validation program.

### Need to clearly define and provide detailed guidance for materiel order validation

Basic materiel management requirements applicable to all Army retail supply support activities and using units (customers) are set forth in Army Regulation 710-2. Instructions for implementing provisions of this regulation are set forth in two standard sets of technical manuals. One set applies to divisional supply activities equipped with the division logistics automated system. The other set applies to installation and corps supply activities equipped with the Standard Army Intermediate Level Automated System.



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Army Regulation 710-2 requires retail supply support activities and their customers to periodically reconcile and validate unfilled materiel orders. The objective of reconciliation is to compare outstanding orders shown on the customer's records with those shown on the supply source's records and to take actions necessary to bring the two sets of records into agreement. The objective of validation is defined as determining whether materiel on order is still needed by the customer and to cancel ordered materiel no longer needed. Technical manuals applicable to division activity operations provide detailed step-by-step procedures for records reconciliation but provide no guidance for performing validation checks. In fact, the manuals refer to reconciliation of records as a validation. For example, Technical Manual-38-L22-15-4 (p. C-45.1) states that divisional customers will validate listings of outstanding orders referred by divisional supply activities against their document registers.

In forwarding listings of outstanding orders to their customers for periodic checks, divisional supply activities attach a transmittal sheet which refers to Army Regulation 710-2 and page 29.2 of Technical Manual-38-L22-15-2. Page 29.2 of the manual does not mention validating continued need to the customers, it simply outlines steps for reconciling the lists with customer document registers and taking appropriate action. Supply clerks of the customer activities we visited told us that they followed procedures outlined on page 29.2 of the subject manual in performing periodic checks of their outstanding orders.

Similarly, technical manuals applicable to nondivisional activity operations provide detailed procedures for records reconciliation but do not refer to or provide guidance for materiel order validation. The nondivisional supply activities attach a transmittal sheet of instructions to the data package of outstanding orders referred to their customers for periodic checks. The transmittal sheet refers to provisions of Army Regulation 710-2 and to chapter 9 of Technical Manual-38-L03-19. Also, the transmittal sheet includes detailed steps for performing records reconciliation. Supply clerks of the nondivisional customer activities we visited told us that they followed instructions outlined on the transmittal sheet for reconciling their outstanding orders.

Currently, the Army is equipping its divisional supply activities and nonautomated nondivisional supply activities with a new automated standard logistics system, known as the Direct Support Unit Standard Supply System. Also, the Army has developed, but has not yet implemented, for use with this system, new standard procedures for reconciling and validating outstanding materiel orders, known as Standard Army Validation and Reconciliation. The proposed new procedures clearly define reconciliation and validation but do not provide detailed guidance for performing materiel order validation. Similarly, the technical manuals applicable to the new logistics system provide detailed step-by-step guidance for records reconciliation but do not provide

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detailed guidance for performing validation checks. Also, these technical manuals refer to validation as a reconciliation of records.

Need to restrict number of orders subject to validation and to expand time allowed

DOD policy, which applies to all the services, requires that high-priority orders 30 days or older and routine orders 75 days or older be subjected to periodic reconciliation and validation checks. This policy recognizes the maximum time standards allowed to fill materiel orders from available stocks and the fact that the longer an order remains outstanding, the greater the chances are that the requirement will cease to exist or would have been satisfied through other means.

However, existing and proposed Army regulations and procedures require periodic reconciliation and validation checks of all open materiel orders, regardless of age. Under existing procedures, the frequency of periodic checks ranges from twice a month for divisional customers to quarterly for nonautomated nondivisional customers. The time allowed for the periodic checks ranges from 8 days for divisional customers to 30 days for nonautomated nondivisional customers. Under the proposed standard procedures, reconciliation and validation checks of all open orders will be required monthly and 10 days will be allowed for the validation portion.

We were advised by supply officials of the audited activities, and our tests confirmed, that it was not possible to validate all open orders within the time allowed. In this respect, our tests and observations at the audited activities showed that an estimated average of 14 minutes is required to reconcile and validate a materiel order (2 minutes for reconciliation and 12 minutes for validation). This average time estimate considers that, generally, only one or two supply clerks are available at the customer activity to perform the reconciliation and validation task and that only about 50 percent of a supply clerk's workday is devoted to this task. The remainder is devoted to other primary tasks which include processing requisitions; recording receipt and issue transactions; checking the status on open requisitions; and receiving, stocking, and issuing materiel.

On the basis of an average time of 14 minutes per order, we found that approximately 40 of larger customer activities audited could not have reconciled and validated all of their open orders within the existing or proposed time allowed. For example, a nondivisional customer (installation maintenance) at Fort Carson was allowed 22 workdays to perform a quarterly check of 2,536 open orders, of which only 949 met DOD's age criteria. One supply clerk devoted 4 hours a day for 22 days to reconcile, but not to validate, the 2,536 orders.



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On the basis of an average time of 14 minutes to reconcile and validate an order, we found that it would have taken the supply clerk 73.9 days (2,536 X 14 minutes ÷ 480 minutes) to reconcile and validate the 2,536 orders. Had the number of orders been restricted to those meeting DOD's age criteria--949 orders--it would have taken the supply clerk 27.6 days to perform this task.

Similarly, a divisional customer at Fort Hood was allowed 8 workdays to perform a biweekly check of 543 orders, of which 175 met DOD's age criteria for reconciliation and validation. A supply clerk reconciled, but did not validate, the 543 orders within the 8 days allowed. It would have taken the supply clerk 15.8 days to both reconcile and validate this number of orders on the basis of a 14-minute average per order. Had the number of orders been restricted to 175, the task could have been accomplished in 5.1 days.

Overall, our tests showed that the materiel order reconciliation and validation workload of the audited activities could have been reduced by 58 percent had only those orders meeting DOD's age criteria been subjected to periodic checks. If the number of orders had been so restricted, all but 2 of the 230 audited customer activities could have completed the reconciliation and validation tasks within 20 days.

Need to establish and enforce compliance with prescribed procedures for evaluating customer performance in validating materiel orders

The audited activities either did not have or did not comply with prescribed procedures for monitoring customer performance in validating unfilled materiel orders. As a result, continuing problems in the materiel order validation program have not been identified or corrected.

At the audited divisional supply and customer activities, there were no procedures or practices for evaluating the effectiveness of periodic materiel order validations. The only requirement was that the results of periodic checks be authenticated in writing by divisional customer activity commanders. This was done without any assurance, such as independent quality sampling tests, that the results were accurate.

At the audited nondivisional supply and customer activities, prescribed procedures for monitoring and evaluating materiel order validation performance were not being followed. For nondivisional supply activities (installations and corps), procedures as set forth in chapter 9 of Technical Manual 38-L03-19 require customers to assign two-digit alphanumeric advice codes to reconciliation and validation response cards. These codes indicate the reasons cancellation or followup action is being requested as a result of periodic checks.

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For example, assignment of advice code 2M to a cancellation response means that customers have determined that the materiel on order is no longer needed. An unusually small number of cancellation responses with advice code 2M is an indicator that customers are not effectively validating materiel orders. Assignment of advice code 2U means that the customers are requesting cancellation because they have already received the ordered materiel. This indicates delays in or failure to process materiel receipt documents.

Nondivisional supply activities are supposed to compile and analyze statistical data on customer reconciliation and validation responses. This is necessary to determine whether (1) computer programs are functioning properly, (2) materiel orders are being effectively reconciled and validated, or (3) customers require additional training.

In our opinion, proper implementation of the above procedures, together with independent sampling accuracy checks, would have provided a sound basis for local management evaluation of customer performance in validating unfilled orders.

Need for improved information system for monitoring overall effectiveness of the Army's materiel order validation program

In addition to its own requirements for periodic materiel order reconciliation and validation at the retail level, the Army is required to participate in DOD's Materiel Obligation Validation Program. Under this program, all outstanding orders on file at Army wholesalers as of a specified date, which meet a certain age criteria (30 days or older for high-priority orders and 75 days or older for routine priorities), are to be reconciled and validated quarterly.

Regarding the above program, Army wholesalers automatically produce materiel order reconciliation and validation request cards for each eligible order on file and send them to the appropriate retail supply level activity. These activities are supposed to reconcile the referred orders with their records and check with the requesters to verify whether there is a continuing need for the ordered materiel. Upon completion of this action, the wholesalers are advised by materiel order reconciliation and validation response cards whether the materiel orders are still valid or should be canceled.

The Army wholesalers compile statistical data on the results of their quarterly materiel order validation checks and forward this data to higher Army command levels where it is consolidated, analyzed, and reported to DOD in a format known as the Materiel Obligation Validation Report. According to the Army's report, for the second quarter of calendar year 1981, 239,500 orders, valued at $9.07 billion, were subjected to reconciliation and validation checks and 10,800 orders, valued at $234.4, million, were canceled.



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The reported statistics indicating large dollar savings would tend to indicate that the Army's program is effective. However, we found that the reported statistics were questionable and not a valid indicator of program effectiveness. For example, three of the retail supply level activities audited, reconciled but did not validate the 36,401 orders referred by wholesalers during the period covered by the above statistics. Officials of these activities told us that materiel orders referred by wholesalers for quarterly checks were not subjected to validation because it was the officials' understanding that these orders had previously been validated by customers as a result of local periodic checks.

Also, the reported statistics did not provide a breakdown of data by major and secondary item requisitions. Such a breakdown is fundamental for any meaningful evaluation of materiel order validation effectiveness. Cancellation of customer orders for major items of equipment (vehicles and tanks), unlike those for secondary items (repair parts, subassemblies, and consumables), has no affect on the acquisition of these items, and accordingly, does not save money. Such cancellations are not initiated by customers in response to periodic validation checks. Instead, they are initiated at the intermediate supply level in response to changes in a supported unit's Table of Organization and Equipment.

Supply managers at the wholesale level rely on the latest authorization data provided by higher command levels to procure and distribute major items of equipment. Thus, they are not dependent on actions taken at the requisitioner and intermediate supply levels to requisition or cancel orders for major items.

An indication of how much the Army's quarterly reported materiel order validation accomplishments misrepresent actual effectiveness was reported in August 1981 by the Army Audit Agency (Report on Audit of Supply Procedures, NE 81-209, dated Aug. 12, 1981). As part of an audit of selected supply procedures at intermediate and wholesale supply levels, the auditors examined the effectiveness of the Army's participation in DOD's Materiel Obligation Validation Program for the second quarter of 1980. The Army's quarterly report for this period indicated that requisition cancellations, valued at $364.1 million, resulted from customer validation of continuing need for outstanding orders.

The Army auditors found that the reported statistics were inaccurate and misleading. The bulk of the reported cancellations represented cancellations of major item requisitions which did not result from customer validations and which should not have been reflected in statistics intended to show dollar savings.

For example, the auditors found that $272 million of the $331 million of requisition cancellations reported by one wholesaler (the Tank-Automotive Command) represented major items. Additionally, the auditors found that the reported statistics erroneously included as cancellations resulting from customer validations (1) requisitions which were received and rejected by



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wholesalers during the quarterly cycle and (2) responses by intermediate supply activities that ordered materiel was no longer needed because it was received after the cutoff date for the beginning of the quarterly cycle.

The Army auditors concluded that the Army benefited little from participation in DOD's Materiel Obligation Validation Program and that the objectives of this program could be acheived through the Army's own local requirements for periodic materiel order reconciliation and validation at the user and intermediate supply levels. The auditors recommended and the Army agreed to seek a waiver from participation in DOD's quarterly program.

Although we agree that the Army should be exempted from participation in DOD's quarterly program, we also believe that there is still a need for an adequate information system enabling higher Army command levels to monitor the overall effectiveness of the Army's own program for validating continuing need for requisitioned materiel. The Army's existing and proposed systems do not contain provisions for such an information system. The Army's proposed new standard system only accumulates and reports to higher command levels data on materiel order reconciliation effectiveness.

## REQUISITIONERS OFTEN FAIL TO RESPOND TO MATERIEL ORDER RECONCILIATION AND VALIDATION REQUESTS

At the audited locations, 19 percent to 44 percent of applicable requisitioners did not participate in the periodic materiel order checks covered by our review. For example, at Fort Carson 72, or 44 percent, of 165 divisional customers did not provide reconciliation and validation responses to listings of outstanding orders referred by their divisional supply activity for a periodic check in January 1981. The 72 customers that did not respond were responsible for 4,274, or 34.3 percent, of the outstanding orders involved. Similarly, at Fort Hood 51, or 40 percent, of 127 divisional customers did not participate in a periodic materiel order check conducted in February 1981. These 51 customers accounted for 2,311, or 25 percent, of the outstanding orders involved.

We found that retail supply activities do not have the authority to enforce customer compliance in performing materiel order reconciliation and validation requirements. Existing policies and procedures do not provide for adequate follow-up controls or penalties to ensure compliance. For example, lack of customer participation is not reported to appropriate command levels. Also, outstanding orders for which customers do not respond are considered as still being valid by retail supply activities.

Recognizing the above problem, the Army proposed new standard procedures which contain provisions for reporting and canceling the orders of customers who repeatedly fail to participate in materiel



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order reconciliation and validation checks. When a customer fails to return validated listings of outstanding orders or to validate each requisition on the listings, the customer listings or affected requisitions will be flagged by the applicable retail supply activity. Also, written notification will be provided within 10 days to the commander of the nonresponsive customer. If the same customer is nonresponsive to two consecutive 30-day reconciliation and validation cycles, the applicable retail supply activity will cancel the affected orders and the customer will be directed to submit new requisitions if the materiel is still needed.

In our opinion, the proposed procedures, if properly implemented, will result in maximum customer participation in periodic materiel order checks. However, these procedures provide no assurance that customers will actually validate whether they still need materiel on order. As previously mentioned, we believe that independent sampling accuracy checks of customer validation performance are essential to provide such assurance.

## CONCLUSIONS AND RECOMMENDATIONS

The Army's problems in detecting and canceling orders for materiel no longer needed by requisitioners continue because of ineffective procedures and practices for periodically validating older, outstanding materiel orders. Existing and proposed procedures do not provide requisitioners with needed guidance on how to accomplish the materiel order validation task. Also, existing and proposed procedures require validation of too many materiel orders and do not allow sufficient time for this task. Additionally, the existing and proposed procedures do not provide an effective means for local management and higher command levels to evaluate customer performance in validating outstanding materiel orders.

The Army can save tens of millions annually by improving its policies, procedures, and practices for periodically validating outstanding materiel orders. Therefore, we recommend that the Secretary of Defense direct the Army to:

--Establish and include in all pertinent Army regulations and technical manuals a uniform definition of materiel order validation and detailed guidance for conducting indepth validation checks. Also, require Army commands to establish and implement at the divisional and nondivisional user levels standard operating procedures for performing materiel order validation checks.

--Revise existing and proposed policy and procedures to expand time allowed for materiel validation checks and to restrict such checks to outstanding materiel orders meeting DOD's age criteria for validation.

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--Strengthen existing and proposed procedures and controls by requiring that customer validation responses of continuing need for ordered materiel be subjected to independent sampling accuracy checks and authenticated in writing by a higher command level.

--Strengthen provisions of the proposed standard procedures, applicable to cancellation of orders repeatedly not validated by customers, by requiring that the customers be notified in writing at the start of a validation cycle that their validation responses will be subject to independent sampling checks and orders not validated will be canceled.

--Establish, as a part of the proposed standard Army validation and reconciliation procedures, an information system which will enable local management and higher command levels to evaluate and monitor the effectiveness of customer performance in validating materiel orders.



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## CHAPTER 3

## NEED TO IMPROVE PROCEDURES AND PRACTICES FOR RECONCILING OUTSTANDING MATERIEL ORDERS

The Army's procedures and practices for reconciling outstanding materiel orders have not been effective in assuring that an acceptable level of compatibility is maintained for related materiel order data shown on supply records at Army wholesale and retail supply levels. Continuous significant differences of as much as 53 percent exist between Army wholesale and retail supply records relative to either the number of outstanding orders or to the quantities on order.

The Army can improve the credibility of its data base and improve supply readiness by strengthening its procedures and practices for reconciling outstanding materiel orders.

### SIGNIFICANT RECORD IMBALANCES IN MATERIEL ORDER DATA NOT BEING CORRECTED BY PERIODIC RECONCILIATIONS

Data on materiel orders passed to Army wholesalers is recorded at three different levels in the supply system: user or customer levels, the intermediate (retail) supply level, and the wholesale supply level. It is essential that data on materiel orders recorded at different supply levels be kept in agreement to insure timely and economical supply support. Significant imbalances in supply data recorded at different levels of the supply system indicate serious requisition processing problems and can result in lost orders, duplicate ordering, and shipments of materiel no longer needed.

As part of DOD's Materiel Obligation Validation Program, Army wholesalers are required, on a quarterly basis, to reconcile their records of outstanding orders meeting a specified age criteria (high-priority orders 30 days or older and routine orders 75 days or older) with records maintained at intermediate supply level activities. Additionally, the Army has its own program for periodic reconciliation of materiel orders at the retail level. Under this program, intermediate supply level activities (division supply and installation supply) are required to periodically reconcile their recorded materiel order data with that of their customers. The frequency of these local retail level reconciliations ranges from twice a month at the division level to monthly or quarterly at the installation and corps levels.

At three of the audited intermediate supply level activities, we analyzed the results of two consecutive 1981 quarterly materiel order reconciliations with Army wholesalers. As shown on the following page, our analysis disclosed that continuous significant imbalances exist between materiel order data recorded at wholesale



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| Audited activity | Consecutive quarterly reconciliation cycle | Total orders subject to reconciliation | No. of orders not on record at wholesalers | No. of orders not on record at audited retail activity | No. of orders for which recorded data differs | Total orders not reconciliable | Percentage of orders not reconciliable |
|---|---|---|---|---|---|---|---|
| 3d Support Command (V Corps) | 1 | 25,663 | 8,752 | 1,070 | 1,910 | 11,732 | 45.7 |
| | 2 | 28,093 | 10,979 | 1,574 | 561 | 13,114 | 46.6 |
| 13th Corps Support Command, Fort Hood | 1 | 18,200 | 5,028 | 3,076 | 763 | 8,867 | 48.7 |
| | 2 | 17,943 | 6,463 | 2,705 | 377 | 9,545 | 53.1 |
| Installation Supply, Fort Carson | 1 | 9,685 | 1,675 | 941 | 1,670 | 4,286 | 44.2 |
| | 2 | 9,997 | 1,580 | 1,448 | 1,408 | 4,436 | 44.3 |



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The Army has established a reconciliation match goal of 90 percent. This degree of sustained compatibility between wholesale and retail supply records is considered essential to the economy and effectiveness of supply operations. A 1979 Army reconciliation study concluded that a 90-percent match rate was reasonable and attainable through compliance with prescribed procedures and increased command emphasis.

At the audited activities, significant imbalances in recorded materiel order data were being perpetuated because quarterly reconciliation discrepancies, as well as their underlying causes, were not being adequately researched or corrected. This condition existed because of inadequacies in prescribed procedures and implementing automated systems.

## INADEQUACIES IN PRESCRIBED PROCEDURES AND IMPLEMENTING AUTOMATED SYSTEMS

According to prescribed procedures, each quarter at a specified cutoff date, wholesalers automatically produce a materiel obligation validation request card (MILSTRIP 1/ document identifier AN) showing data recorded--document number, stock number, unit of issue, and quantity--for each order on file that is in a backorder status (MILSTRIP status codes BB, BC, BD, BP, and BV) and meets a specified age criteria (30 days or older for high-priority orders and 75 days or older for routine orders). The cards are automatically sent to the appropriate intermediate supply level activities for reconciliation and validation. Simultaneously, the validation request transactions are recorded for a 45-day suspense period pending return of validation responses. If intermediate supply level activities fail to respond within this 45-day suspense period, cancellation action for the affected materiel orders is automatically initiated.

The intermediate supply level activity compares the materiel order data on the validation request cards with similar data recorded in its document history file. If the materiel order data agrees, a validation response card (MILSTRIP identifier AP) showing the reconciled data is automatically produced. If the data does not agree (no record of materiel order or differences in recorded data), a blank response card is produced. The discrepancy must be manually researched and appropriate entries made on the response card. Also, a requisition followup request document (MILSTRIP identifier AF) is automatically produced showing data on orders recorded in the document history file for which no validation request was received. The validation response cards and followup documents are returned to the appropriate wholesalers, where they are compared with recorded validation request transactions, and the necessary corrections are made to recorded materiel order data.

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1/Military Standard Requisitioning and Issue Procedures.

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As shown in the table on page 21, the majority of materiel order reconciliation differences (66 percent of 51,980) revealed by the quarterly reconciliations we reviewed were related to orders on record at the intermediate supply level but not at the wholesale level, as evidenced by the absence of a validation request. We found that this type of discrepancy was not being corrected by the reconciliation process described above. This condition exists because the automated system at the wholesale level does not recognize validation responses (that is, requisition followup request documents) if there is no matching validation request transaction recorded in the computer. Thus, under the quarterly validation program, no action is taken on requisition followup requests as would normally be done under regular requisitioning followup procedures.

Under regular requisitioning followup procedures, retail level activities submit two types of followup request documents to wholesalers. A followup request with MILSTRIP document identifier AF is submitted on requisitions for which backorder or shipment status was previously furnished. If no such status was previously furnished, an AT followup request is submitted. In response to an AF requisition followup request, a wholesaler either furnishes the requisitioner with the latest status or advises that no record exists and materiel must be reordered if still required. An AT followup request is processed as a new requisition at the wholesale level if there is no record of the original requisition being received.

In addition to the above problem, prescribed procedures and practices did not provide for identification and correction of underlying serious recurring causes of significant materiel order reconciliation discrepancies. We found that recurring system problems involving (1) issuance of substitute items, (2) a certain type of requisition rejection, and (3) reconciliation of orders not in a backorder status were the primary causes of materiel orders being on record at the retail level, but not at the wholesale level.

Wholesalers frequently issue substitute items to fill requisitions when the original item ordered is not available. The automated system (Standard Army Intermediate Level System) at the intermediate supply level failed to close out open orders for the original items when substitute items were received. To close the open orders, a dummy materiel receipt card for the original item had to be prepared by the recipient and forwarded to the intermediate supply activity for input to the computer. This was frequently not done or was done on a delayed basis. A program change to correct this problem was made in June 1981. However, open orders affected by this problem before this date must still be manually researched and closed. According to supply personnel at the audited activities, this is not a priority job and will be done as time permits.



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Additionally, a certain type of requisition rejection made at the wholesale level was not sent to the intermediate supply level. Thus, the affected order remained open at that level. A CA reject code is used to provide a reason for rejects not covered by the other 27 specific reject codes. A CA reject document is unique in that it is mailed directly to the requisitioner with the specific reason for rejection on the back of the document. All other reject documents are sent through the intermediate supply level activity's automated system. In our opinion, this system problem could be corrected by revising the standard automated system at Army wholesale supply sources to send CA reject documents on-line to the intermediate supply level activity. The requisitioner could be notified separately by mail of the reason for the CA reject status.

Also, we found that the automated system at the intermediate supply level was erroneously programed to reconcile open orders not in a backorder status with validation requests for orders in a backorder status. As previously mentioned, wholesale supply sources prepare validation request cards for open orders in a backorder status (codes BB, BC, BD, BP, and BV). At the audited intermediate supply level activities, we found that the standard automated reconciliation system was preparing requisition followup documents for open orders with a BA supply status (nonbackorder, being processed for shipment) to reflect orders recorded at the level for which no validation request was received.

## CONCLUSIONS AND RECOMMENDATIONS

The Army's materiel order reconciliation program has not been successful in achieving and sustaining an acceptable level of agreement between materiel order data recorded at the Army wholesale and retail supply levels. Continuous significant imbalances in recorded materiel order data are being perpetuated because of inadequacies in prescribed procedures and implementing automated systems. The Army can improve the credibility of its data base and effectiveness of supply operations by strengthening its procedures and practices for reconciling materiel order data recorded at the wholesale and retail levels.

Accordingly, we recommend that the Secretary of Defense direct the Secretary of the Army to:

--Strengthen prescribed procedures by requiring that underlying causes of significant materiel order reconciliation discrepancies be investigated and corrected.

--Revise the automated reconciliation process at the intermediate supply level to restrict quarterly reconciliations with wholesalers to open orders in a backorder status. Also, revise the automated process at this level to provide for either preparation of AF or AT requisition followup documents, as appropriate, to notify wholesalers of action needed to correct open orders at the retail level which are not on record at the wholesale level.



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--Revise the automated reconciliation process at the wholesale level so that intermediate supply activities' requisition followup responses to validation requests are accepted and acted on.

--Revise the automated system at the wholesale level to send on-line all requisition coded reject documents to intermediate supply levels.

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